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Stories worth watching in '88

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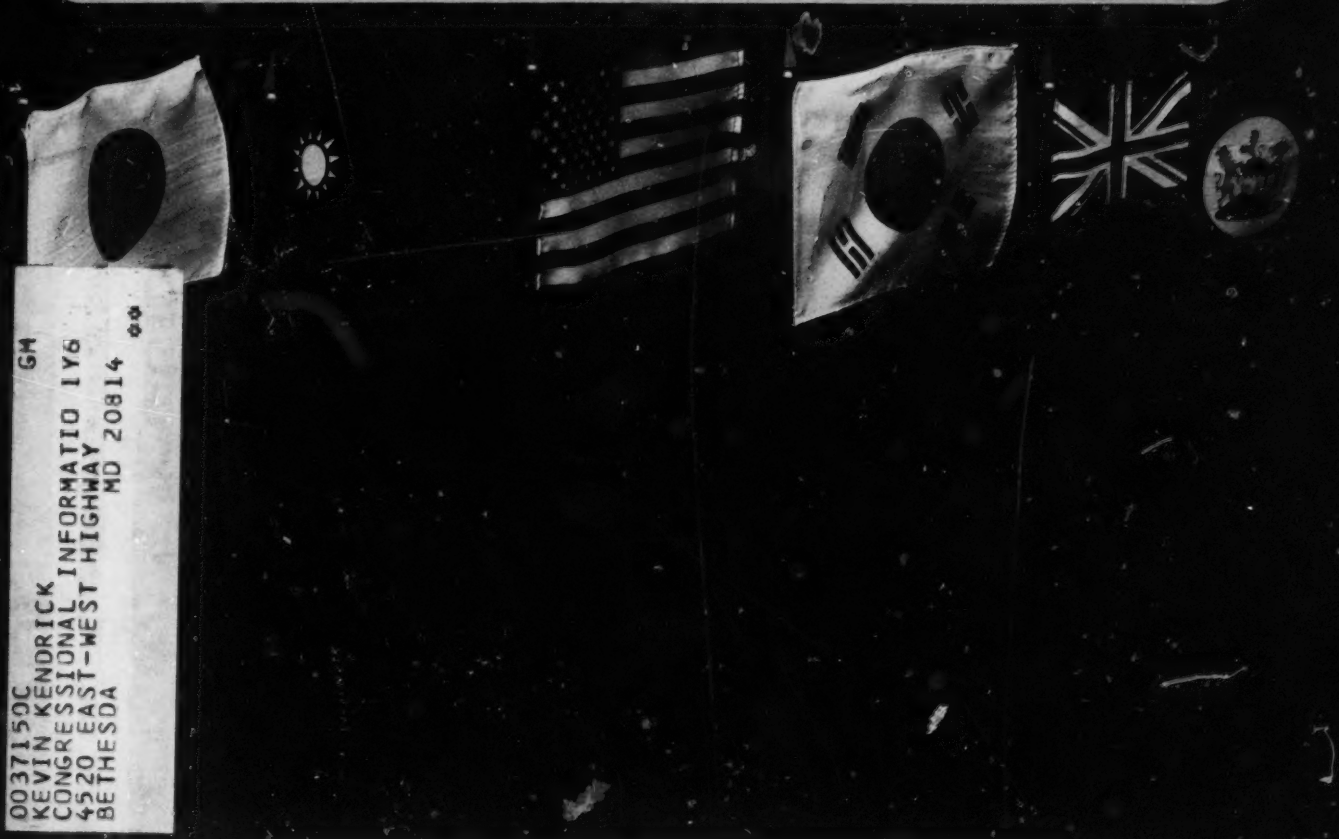
Chain Store Age

GENERAL MERCHANDISE TRENDS January 1988



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A CSA Exclusive Survey

EAST VS. WEST

What Americans really think about imports

CONTENTS

JANUARY 1988

CameraAmerica's approach to franchising is to combine a chain store and a non-chain store image.....44

Industry Trends/Cover Story

East vs. West: What Americans really think about imports 13
Sears gets exclusive Disney rights 16
Rebates are popular with consumers 17
The bigger, the better at Think Big! 18
Left Hand World is right 19
A look back at '87s Top 10 happenings 20
Preview '88: Ten stories to watch 22
Schmidt's retail humor 52

MarkeTrends

Home electronics to slump in '88 24
Consumer Electronics: A mixed marketing message for camcorders .26
Housewares: Sales to remain hot for microwaves 28
Discounters tops in microwave cookware 29

Consumer Electronics

Choosing upscale audio and television is Sound Advice 33
Boston electronics superstores wage war 35

Housewares

Glassware is not crystal clear 37
Merchants put their money on the basics at the NHMA Show 42

Photo/Camera

Images in sharper focus at CameraAmerica 44

Merchandising

Furniture: Home offices create need for RTA basics 47
Sporting Goods: Bulk and fashion team up at Sports Authority 48
Stationery: Growth on track at Office Depot 50
Toys: Music to retailers ears 51

Financial News 53,54

***Bigger is better** at Think Big!*.....18

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Chain Store Age: Auld Lang Syne

Murray Forseter
Publisher/Editor

Nine years ago, in February 1979, I had the honor to begin a dialogue with you, the reader. This will be our last chance to communicate in this forum. This will be the last issue of *Chain Store Age General Merchandise Trends*.

The decision to terminate was a wrenching one for our parent company, Lebhar-Friedman. *Chain Store Age* is the direct descendant of the original publication of our company, founded in 1925 by Arnold D. Friedman.

Nevertheless, just as J.C. Penney agonized over closing the first store where its founder worked, just as Sears, Roebuck & Co. anguished over closing the downtown State Street Chicago store, and just as countless retailers have shuttered once proud stores, so, too, our corporation had to make a decision based on economics, not emotion.

I won't tax you with the details of publishing market shares. I'm sure many of you noticed that we carried fewer advertising pages each year for the last 12 years.

Through most of that time I have been directly responsible for the editorial product. Each year, no, each month, we labored to craft a better product than the month before. We stretched our resources to supply original material. We funded our own consumer research program, MarkeTrends. We devoted special issues to studies of value and customer service, as the consumer defines those terms. Retailers told us who their best suppliers were, and, more importantly, why.

We presented the first full-issue study of K mart, an issue cited by the American Society of Magazine Editors as one of the six best full-issue studies of 1980. Our 1985 full-issue study of Sears won the Jesse H. Neal Award for editorial achievement. Presented by the Association of Business Publishers, the Neal Award is considered the Pulitzer Prize of business press journalism.

We did much more, of course. I can only comment on my association of nine years and our determination to be an information resource to the entire retail and vendor communities.

Even before my staff's and my tenure, there was a rich history of involved, inspired and professional journalists led by Godfrey Lebhar, Ralph Friedman, Joe Fletcher, Frank Landau, Ben Gordon, Dick Groberg, Walter Schruntek and John Lightfoot.

In many ways *Chain Store Age* resembled the Sears-Penney-Ward and department store retail formats that tried to provide a little bit of everything to a diverse audience. We were very good at what we did, but then, just as in retailing, first discount store publications and then specialty merchandise books captured chunks of our business. We reacted, just as the big store retailers did. We narrowed our merchandise reporting focus. We differentiated our offering. But the erosion was considered irreversible.

It is impossible in this narrow space to thank everyone who helped us in our quest. Nor is it possible to single out all those whom we met during our journey who made lasting impressions on our staff.

We are most grateful to our loyal readers and advertisers who believed in the value of *Chain Store Age*.

To all of you, we wish success and achievement. And happiness.

And, selfishly, we hope that in some way we have enriched your careers and that you will miss us.

We will miss you.

A *CSA* EXCLUSIVE SURVEY

EAST VS. WEST

What Americans really think about imports

Thirty-five years ago, or so the story goes, an enterprising Japanese town came up with a solution to its country's reputation for shoddily-made goods. The town, called Usa, began stamping products made there with the English words, "Made in USA."

Until authorities in the real U.S.A. caught on, citizens of the Japanese hamlet thought they had come up with a pretty clever solution to their export problem.

How times have changed. Many Americans now shudder at the very thought of buying a U.S.-made automobile. They prefer Japanese cars instead. Conversely, it simply is impossible for them to buy an American-made VCR even if they wanted one.

Discount giant Wal-Mart, meanwhile, wrapping itself in the flag and puffed with patriotic fervor, has instituted a "Buy American" program that attempts to give U.S. suppliers the same financial breaks it traditionally gave only to overseas sources.

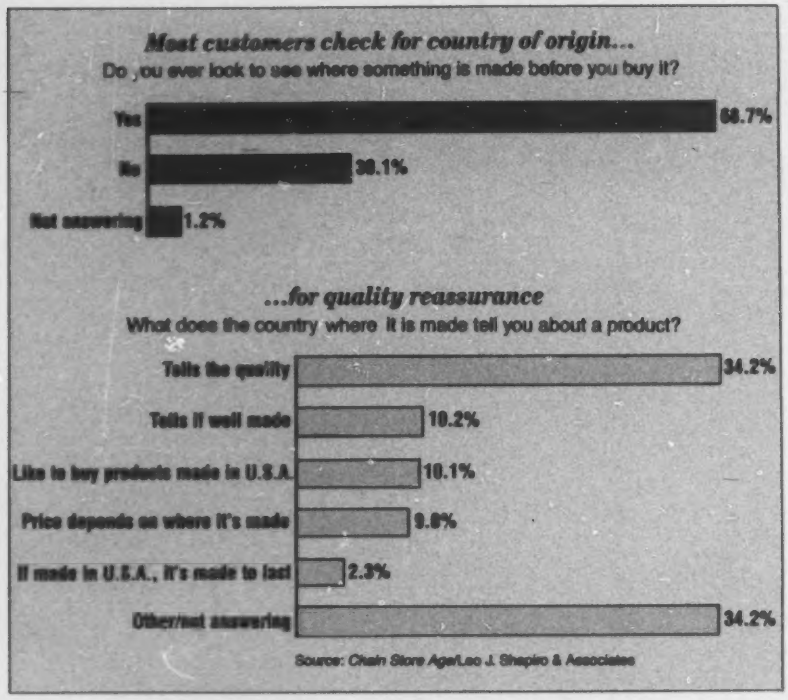
At the same time, Wal-Mart has quietly expanded its Far East buying office and in sheer volume now imports more goods than ever before. The proportion of American-made goods Wal-Mart sells, however, has risen since the program began.

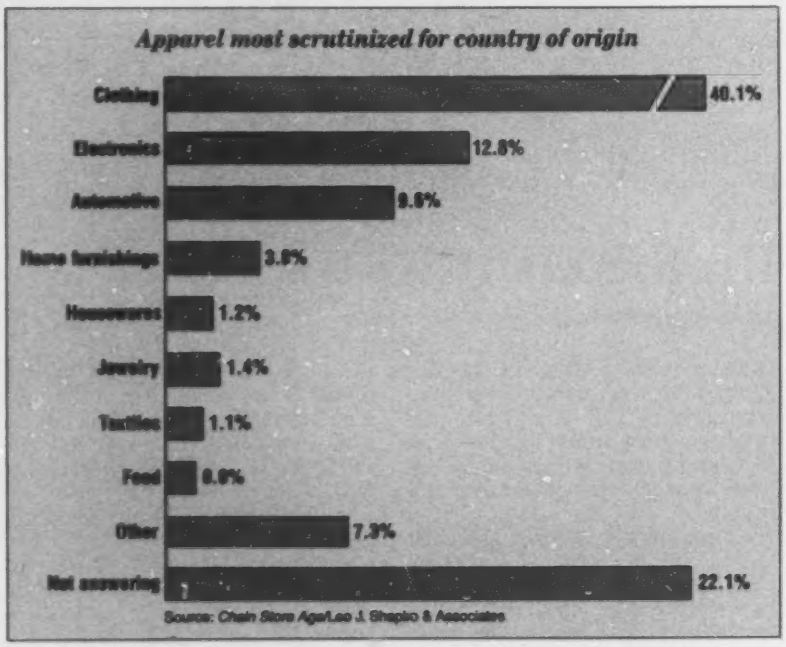
Textile industry sources have banded together to run a highly visible "Made in the U.S.A." television campaign. Hollywood stars, including the likes of Bob Hope, and Billy Dee Williams, proclaim that American made goods matter to them.

But what about average Americans? Do they really care where products are made? And if they do, which do they prefer—those made overseas or those made in the United States? Can appeals to patriotic fervor—or perhaps just plain old jingoism—change their shopping habits?

These are some of the issues raised in an exclusive *Chain Store Age*/Leo J. Shapiro & Associates poll which examines American attitudes about foreign products. The answers include the startling revelation that in nearly all cases Americans want to buy goods made in the United States.

The nationwide random survey was conducted by telephone with a sample of 902 households. Either the male or female head of the household was questioned in each case. Interviewing was conducted





during June and September 1987.

It matters: Most shoppers are not blind to country of origin. More than two-thirds of American families, according to the poll, check to see where a product was made before buying it.

Why do they look? Most people say that they usually check to make judgments about quality and workmanship. Relatively few, says the survey, are looking for country of origin because they specifically want to buy American-made products.

Only 10% of shoppers say that they look for where a product was made so that they can be sure they are buying American.

Instead, what most shoppers are looking for is reassurance that the product meets their quality standards, and checking country of origin is one way of making sure they get what they want.

In the *Chain Store Age*/Shapiro study, more than one-third of the families interviewed say that the reason they look for where a product was made is because they think country of origin tells them about a product's quality.

Another 10% report that where a product was made tells them about craftsmanship. Only 2% say that it is not important where something was made, but rather how well it was made.

More than anything else, the concern about quality revealed in the poll seems to be part of a defensive shopping strategy. Customers apparently have a private list of countries whose goods they generally consider inferior. When shopping, they are looking to avoid these products.

Clothes make the country: The defensive strategy is most important when it comes to apparel shopping. More than any other category of products, apparel shoppers check where something was made before they buy it.

In the *Chain Store Age*/Shapiro poll, almost half—40% of all families in the poll and 46% of those who say they usually check for country of origin—say that they look for where apparel was made.

Shoppers need more reassurance about the quality of foreign-made clothing, says the survey, than for any other category of goods.

Consumer electronics are named by 13% and automotive products by 10%. In contrast, only 4% of home furnishings shoppers and 1% of housewares customers need similar reassurance about the quality of foreign-made goods.

Those most likely to be concerned about both quality and country of origin are generally older and are more uncertain about their economic future.

On the average, those who usually check for country of origin before buying are 45-years-old, compared to 40-years-old for those who do not regularly check.

The majority of those who check for country of origin expect that their household income will decrease or, at best, stay the same next year. They also are more likely to think that economic problems are the biggest facing the country.

In the news: The extent to which people associate products with different countries varies greatly, according to the poll.

Fully 9 out of 10 people were able to answer the question, "If you were out shopping and saw a product that was made in Japan, what product would you be looking at?" Almost as many could name a product from Hong Kong.

The fewest people—only 1 in 3—were able to name a product made in Israel, Poland or Malaysia.

The pattern shows that some of the countries most often in the news, such as Israel, Poland or even the Soviet Union, have not achieved much recognition for consumer products.

In contrast, countries less often in the news, such as Mexico, Hong Kong and Taiwan, have a relatively broad product awareness.

Some countries have become strongly associated with only one specific product or one kind of product. The single product countries are Japan, picked for video and audio equipment, Germany, named for automobiles, Russia for vodka, and both Korea and Taiwan, cited for clothing.

Other countries, in contrast, have become identified with a broad range of products. Sweden, for example, is associated with food, clothing, jewelry, housewares and automotive products. Shoppers name Australia for apparel, food, and textiles. England is cited for clothing, housewares, food, automotive and textiles.

Home grown the best: What country do American shoppers think has the best products? In what is perhaps the most startling finding of the research the hands-down preference is for products made in the United States.

In virtually every instance, people say that if they were in the market for a specific product, they would prefer that it be made in America rather than in a foreign country.

For example, people who associate automobiles with Germany rate their interest in buying a car made in Germany at 6.72 on a 9-point scale, with the higher number indicating higher interest. When asked to rate how they feel about buying a car made in the United States, the average rating is 7.64.

Similarly, looking at Japanese home electronics products, the average rating for buying something made in Japan was 6.50. The same product made in the United States received a rating 7.63.

Even the most popular products from a foreign country, the poll suggests, are not as attractive as the same product were it made in America.0

Products made in the United States by foreign manufacturers fare better in the customer's eyes, according to the survey, but only slightly. American goods made by American companies are still the best.

For Japanese electronics manufacturers, such as Sony which makes color TV tubes in California or Sanyo which manufactures in Alabama or Panasonic in Ohio, the question is far from academic. Neither is it for foreign car makers who have shifted production into the United States in recent years.

However, shifting production of a foreign product into the United States is not seen as having a positive effect of the quality of the product, according to the poll.

Only 10% cite quality as an advantage, compared to 47% who say the advantage would be more jobs for American workers. Fourteen percent believe that goods would be less expensive if manufactured in the United States.

Quality counts: In sum, the onslaught of foreign imports into the United States has raised consumer sensitivity about quality. The reason customers check a product's country of origin has more to do with fears about the quality than it does with more abstract political or social concerns.

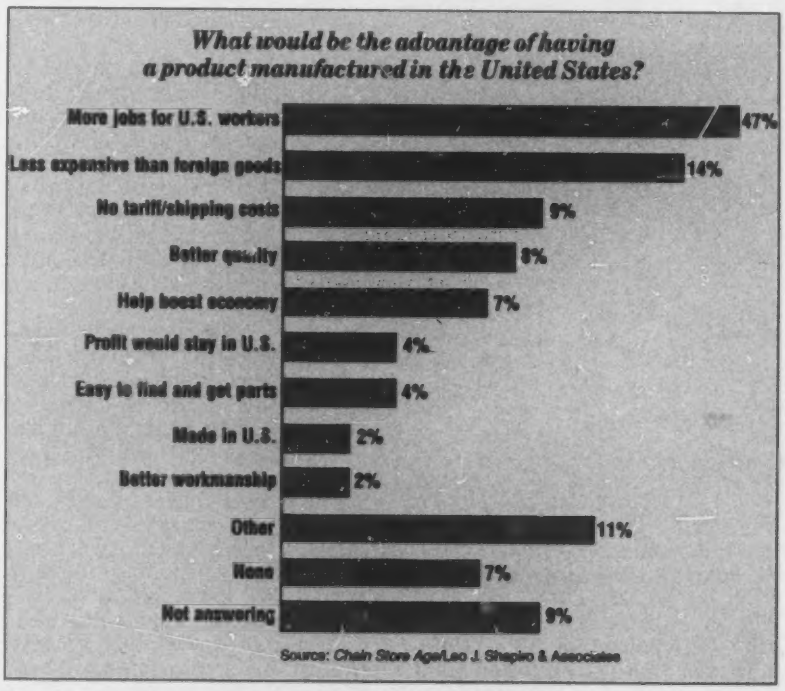
In effect, most foreign goods are accepted, not because they are seen as superior to American-made products, but simply because they are on the retailer's shelf.

A "Made in the U.S.A." label relieves the customer, not of some burden to support her motherland, but instead relieves her from taking extra precaution to check on quality. A foreign-made label is more likely to put a customer on guard to assure that a product is of acceptable quality.

Efforts such as the "Made in the U.S.A." textile promotions may then be missing the boat. Broad appeals to patriotism, the poll suggests, are probably less effective than appeals to issues of quality.

The inclination of Americans, as revealed in the poll, already is to "Buy American." The reason, however, has nothing to do with some inherent superiority of American-made goods. Rather, it is simple familiarity and a lifelong history of buying homemade.

Perhaps 35 years-ago the good citizens of Usa, Japan were on to something. □



Chain Store Age/Better Homes & Gardens reveal that many in the general merchandise industry are disenchanted with rebates. But consumers like and look for them.

Rebates are popular with consumers

Rebates are alive and well at retail these days.

Despite growing disenchantment with them in some quarters of the general merchandise industry, rebates continue to be popular with the people who count, the consumers, especially those shopping health and beauty aids and basic housewares in discount chains and supermarkets.

Most consumers have redeemed from one to four offers in the past year and consider $5 the most worthwhile rebate size.

These findings surfaced in a recent consumer study made for *Chain Store Age* by *Better Homes and Gardens.*

The study also shows that nearly one-third (32.6%) of the respondents took greater advantage of manufacturer rebate offers last year than they did the previous 12 months. At the same time, 53.1% of the respondents said they bought rebated goods to about the same extent as they did the prior year. The offers were less of an attraction to 13.8% of the shoppers.

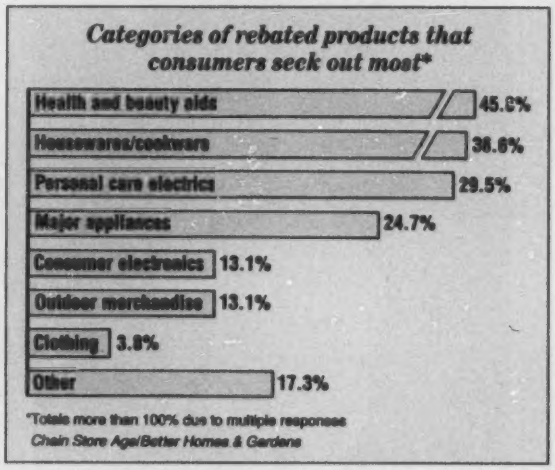
Similarly, 65.6% of the respondents say they are somewhat influenced by rebates in their purchasing decisions. Only 12.8% acknowledged that they were very much swayed by rebates in their shopping rounds, while 21.1% were not at all affected by the practice.

Nearly two-thirds of the consumers canvassed (62%) acknowledge that they sometimes look for rebates when shopping or planning their buying trips, while 13.8% always look and 23.8% never do.

The *CSA/BH&G* report further shows that discount stores and supermarkets are the most successful outlets when it comes to promoting rebates. Based on multiple answers, some 62.9% of the respondents purchased rebated products in discount houses, while 51.7% bought them in supermarkets.

Drug stores were the source of rebate purchases for 30.1% of the consumers canvassed, while department stores were meccas for 28.4%. Catalog showrooms were cited by 14.6% of the respondents.

Health and beauty aids along with basic housewares and personal care electrics benefited the most from rebate promotion, the study shows.



Nearly half (45.8%) of the consumers say they primarily look for health and beauty aids with rebates, while basic housewares and cookware are principal targets for 36.6%.

Rebates are also effective in moving personal care electrics where 29.5% of the consumers say they look for these products with such offers. The tack was somewhat successful with consumer electronics and outdoor merchandise, each of which attracted 13.1% of the rebate activity.

What size rebate does the consumer deem most worthwhile? Results seem to belie the retail axiom that the larger the value the more popular the rebate. Most of the respondents (44.9%) voted for $5, while 17.6% cited $2, and 12.8% said $10. Still, rebates of over $20 were given the nod by 15.2%.

While 14.5% of the respondents did not avail themselves of any rebates at all last year, 20.9% of the participating consumers say they took advantage of one or two offers the past 12 months. An almost equal number (19.5%) say they redeemed three to four; 13.1%, five to six. Statistics in the study show that rebates would be even more widely used by consumers if the mechanics involved in redeeming them were simpler. This is the view of 88.8% of the consumers canvassed. Conversely, 9.5% say they would not take advantage of rebates even if the procedure were less complex.

As it is, the study shows the detailed procedure frequently required in redeeming a rebate very often discourages 22.6% of the respondents; often discourages 30.5%; and completely discourages 10.5%. It is not too surprising then that the actual rate of overall redemption is modest. Just over half of the respondents (52.3%) in the study say they either always fail or often fail to mail in rebates. On the other hand, 38.5% of the consumers say they seldom fail to make redemptions, while only 8.1% say they never fail to.

Patience is not the hallmark of consumers when it comes to taking advantage of rebates. Some 32.8% of the consumers say they never wait to buy a product if they know it usually carries a rebate, while 41.6% seldom wait. Only 1.7% indicate that they always wait. In selecting between competing brands, the one with the rebate usually gets the edge. The study shows that 53.9% of the consumers consider rebates somewhat important in selecting between brands, while 10.9% consider it very important. □

Home electronics to slump in '88

It will be a tough year for home store departments in 1988. The latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll confirms weak readings first measured in the November survey.

Home store departments, says the most recent poll, will have trouble posting anything better than single-digit sales increases in the next 12 months.

Consumer electronics, according to the nationwide MarkeTrends survey, will be particularly hard hit. Though the latest poll indicates good gains ahead for car stereos, home audio and telephones, bigger categories—such as video cassette recorders—will slump in 1988.

In last month's MarkeTrends survey, for example, the number of households reporting that they plan to buy a VCR this year is only 1% higher than totals recorded a year ago.

Based on current MarkeTrends estimates, *Chain Store Age* projects that 12 million VCRs will sell at retail in 1988. Last year, the number totaled about 11.8 million units.

For auto sound, however, the outlook is considerably brighter. The number of MarkeTrends families who say in the latest survey that

they plan on buying a car stereo is almost twice as high as the total recorded only nine months ago.

At the same time, the number of families reporting that they expect to buy a home stereo this year has more than doubled since April.

That is the extent of the good news in electronics, however. In last month's MarkeTrends poll, interest in buying boom boxes was down 3%. Telephone answering device buying intentions were up only 3%. Headset audio, according the the December survey, will gain 3%-6% this year.

For housewares categories, the news is equally bleak. Buying intentions for food processors, for example, are at their lowest levels in nine months. Sales, says the latest poll, have been slipping, too.

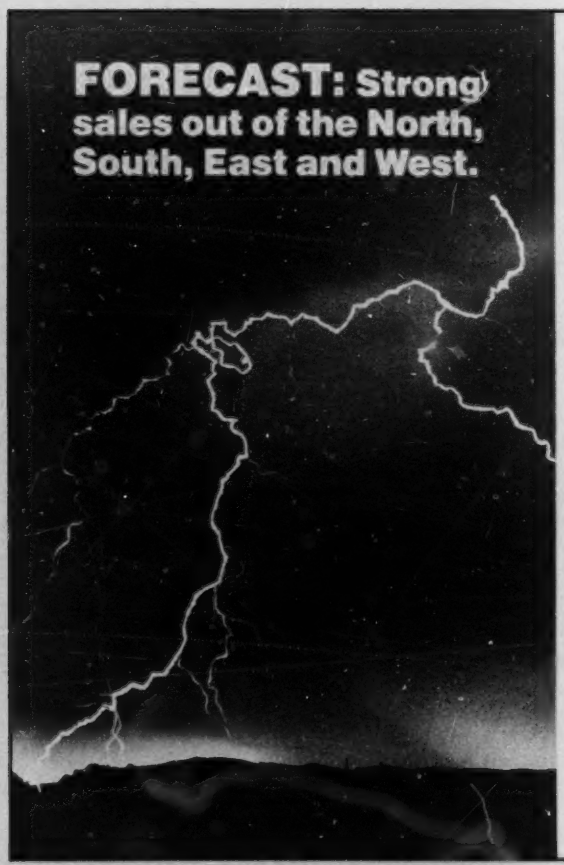
Bathroom scale sales have stalled, too, according to the January MarkeTrends poll. The latest sales volume readings are down almost one-third from those recorded last spring. Plans for future buying peaked last October, according to the survey, and have fallen ever since.

***The number of households planning** to buy a VCR is only 1% higher than last year.*

Glassware sales plateaued last year, says the MarkeTrends poll, and buying intentions for 1988 are slipping steadily from year-ago figures.

Weak performance for housewares categories comes on the heels of disappointing results in the December MarkeTrends poll. Cookware sales, for example, had slumped about 4% last year.

Domestics categories, on the other hand, are showing potential for some modest sales hikes. Customer buying plans in the most recent survey are up for bath towels, sheets and pillowcases. □



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A MIXED MARKETING MESSAGE FOR THE CAMCORDER

The format fight among VHS, Beta, VHS-C, 8mm and now Super-VHS has left the customer confused. What he really wants: good picture quality and VCR compatibility.

***Electronics specialty store customers** expect to pay only $870 for a camcorder, compared to $1,017 at a department store.*

Has the squabble over camcorder formats confused the customer with a mixed marketing message? Probably so. Families in the latest MarkeTrends poll give mixed signals about camcorders.

However, they probably are only the result of the mixed message that they are getting from manufacturers themselves.

Just about three-quarters of American families have heard of or have seen a camcorder, according to the nationwide survey of 450 households. Six percent already own one.

Almost 15% of the families say that there is some chance that they will buy a camcorder in the upcoming 12 months. Only 1%, however, rate their chances as definite. Three percent say they probably will buy, while 10.8% say they may buy.

On the average, the MarkeTrends families think that they will have to spend $947 to get the camcorder they want. This compares to the $1,093 spent by those who already own a camcorder.

But that is the last point in the survey that conveys a consistent consumer message. The poll reveals that what is important to the customer may be something that perhaps is quite different from what the industry thinks.

Asked to rank the importance of a number of factors they use in deciding which specific camcorder to buy, customers rank picture quality at the top of the list. In the poll, 62% rank picture quality as a very important factor in their buying equation.

Ranking second to picture quality is which tape format the camcorder uses. Apparently, customers are concerned that their camcorder be compatible with their VCR system at home. Forty-seven percent of the survey families rate format as very important in deciding which camcorder to buy.

Asked which format they would prefer if they were buying today, VHS is the hands-down winner, the choice of 66% in the poll. Almost 1 in

5 families do not give an answer to the format question.

The size of a camcorder, how big or how small it is, was far less important to the MarkeTrends families than format or picture quality—one of the survey's surprises. Only 28% of the polled households say that size is a very important criterion in choosing which camcorder to buy.

Brand is of surprisingly small import, too. Only 27% of the MarkeTrends families rate brand as a very important consideration in the purchase of a camcorder.

When asked what brand camcorder they would purchase if they were buying today, more than half—a whopping 52%—of the survey households do not name a brand they would choose, suggesting low brand loyalty.

And indicative of some of the confusion in the marketplace, Sony tops the list of preferred brands, the choice of 47% in the nationwide poll.

The problem, of course, is that Sony does not produce VHS camcorders, the choice of the great majority of families. With customers saying that format is more important than brand, the poll is still another indication of how Sony's slavish commitment to Beta and 8mm is costing it sales.

Also on the customer's list of preferred brands if they were buying today are Panasonic (10%), RCA (7.8%), Zenith (2%), Hitachi (1.5%) and Magnavox (1.5%).

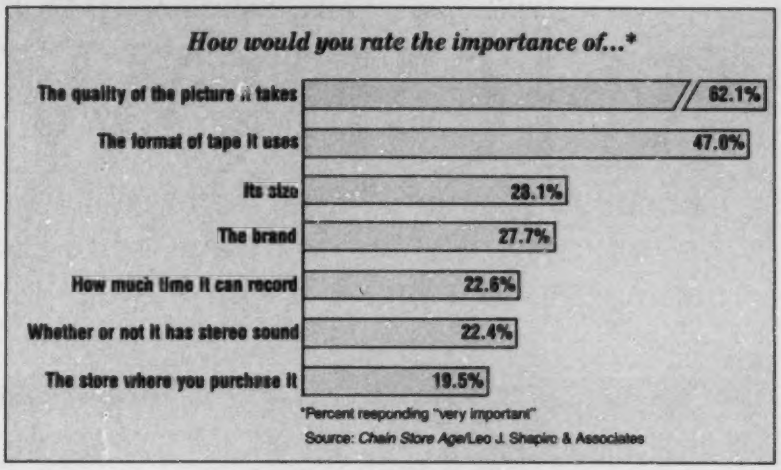
How much time a camcorder can record without changing tapes is of great concern to those marketing VHS-C camcorders, but, according to the MarkeTrends poll, is of little concern to the customer.

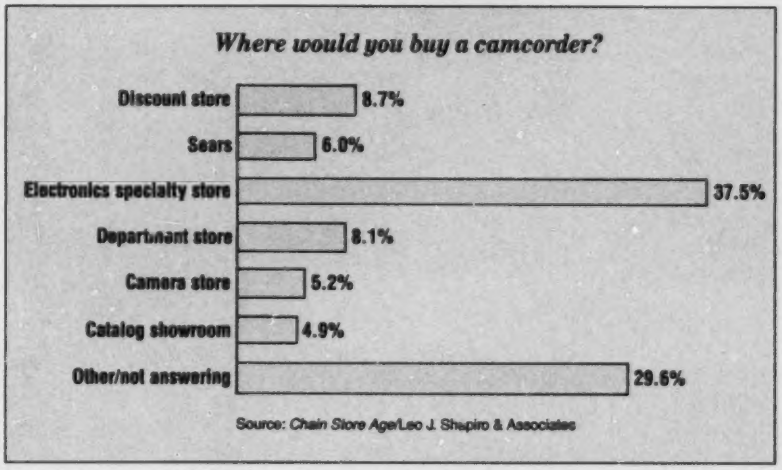
Only 23% of the survey households rank recording-time length as very important. This is a boost for the compact VHS format, since reduced recording time is its major drawback.

Stereo sound seems to leave most customers pretty cold, too. Only 22% of the MarkeTrends families say that stereo is a key component in deciding which camcorder to buy.

Least important in the buying equation, according to the survey, is the store where they would buy. In the poll, 19.5% say that the specific store is very important in deciding which camcorder to buy.

Asked where they would make their purchase if buying today, about 1 in 4 of the poll households say that they would buy at one of the electronics specialty stores.





Following are discount stores, named by 8.7%, department stores (8.1%), Sears (6%), camera stores (5.2%) and catalog showrooms (4.9%).

Department store customers expect to pay the most for a camcorder ($1,017), while electronics specialty store shoppers expect to pay the least ($870). In between are camera store customers ($948), discount stores ($961) and catalog showrooms ($977).

On the average, prospective camcorder customers come from households that are slightly larger than the norm (3.5 persons for those who might buy, compared to 3.2 for those who definitely will not buy).

The presence of children in a family does cause a significant increase in the buying incidence of a camcorder, but the presence of young children (under 12 years-old) has a profound effect upon camcorder shopping.

Three-quarters of the families that say there is some chance they will buy a camcorder this year have children under 12 years-old at home. In contrast, about half the households that rule out buying in 1988 have young children at home.

On the average, prospective camcorder buyers have significantly higher incomes than those who do not expect to buy. Families that say there is some chance they will buy have mean incomes of $38,100 compared to the $32,400 for those who do not expect to buy.

They are also younger. Camcorder prospects, on the average, are more than three years younger than those who do not plan on buying.

The best markets geographically are the Middle and South Atlantic, South Central and Mountain states. The weakest markets in the upcoming year, says the MarkeTrends survey, are New England, North Central and Pacific areas. □

SALES TO REMAIN HOT FOR THE MICROWAVE

Consumers remain eager to purchase a microwave. While the majority of shoppers want a full-sized oven, a growing number of households express a desire for a smaller unit.

***Buying plans point to a bright future** as 4.6% of those polled say they definitely will purchase an oven within the next year.*

Consumer preference for microwave ovens is swinging away from full-sized models to units with smaller capacities.

This is apparent from a *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends study which also shows a sharp increase in ownership of microwave ovens along with a corresponding growth in use of microwave cookware during the past year.

This year, 72.5% of the households canvassed in the exclusive study say they own microwave ovens, up from 55.8% last year.

Similarly, microwave cookware ownership jumped to 72.9% in 1987 from 63.7% in 1986. What is more, consumer buying intentions for the cookware remains high with 5.4% of the consumers polled indicating they are definitely in the market for microwave accessories, and 22% considering themselves potential buyers.

Buying intentions expressed by households in the study also point to a bright future for the microwave oven industry. Some 4.6% of the those surveyed say they definitely will be purchasing an oven within the next 12 months, while 4.8% say they probably will and 5.5% say they might buy one during the coming year. In last year's study, the definites were 2.6%; probables, 2.1%; and maybes 3.7%

Heavy retail advertising of smaller size microwave ovens the past year has been effective, if the significant increase in consumer preference for more compact units is any indication.

Some 44.9% of the consumers in the current study say they favor smaller (than full-size) cavity units while 31.6% specify mid-size models. Last year 40.1% opted for smaller ovens, while 25.3% of the households wanted mid-size numbers.

The study also shows an increase in popularity of mini-size ovens. While 7.3% of those polled last year wanted these units, this year they are preferred by 8.8% of the respondents.

Despite the inroads, full sized microwaves still are fancied by nearly half the households (46.7%) in the survey. This, however, represents a sharp drop from last year when 58.6% wanted full sized models.

The prices that consumers expect to pay for their microwave ovens also reflect the trend to smaller sizes, as well as the heady price competition within the industry.

Heavy promotion of the category in the New York area, for instance, has featured models at prices as low as $99 for a full-size 1-cu.-ft. Toshiba unit at Macy's. In the main, though, smaller size models under 1 cubic foot have been touted from $119 to $159 with some full-featured full size numbers promoted from $179 to $299.

Thus, it should come as no surprise that consumers expect to pay less for microwave ovens this year than last. The median price in the current study is $300. Last year it was $400.

More significant, however, is the fact that 10.4% of the households say they expect to pay under $200 for a microwave oven this year, compared to 3% last year. By the same token, 13% of the consumers polled say they now expect to pay between $200 to $250, up from 10.9% last year. While slightly more (16.6% vs. 15.6% last year) now expect to pay $300 to $350 for their oven, fewer (6.4% this year, 9.2% last year) expect to pay between $350 and $400.

Probably one of the more telling statistics is the fact that 19% of the

Discounters tops in microwave cookware

Where do consumers purchase their microwave cookware?

One thing is sure, it is not necessarily the same place they buy microwave ovens. Another good bet is that the cookware purchase more than likely will be a single item made of glass.

In an exclusive *Chain Store Age*/Leo J. Shapiro & Associates study, 45.7% of the households polled say they head first for a discount chain in their quest for the growing cookware classification. This compares to the mass merchants' 11% share for ovens. K mart is specifically cited by 10.4% of the cookware buyers.

The Big 3 national merchandisers—Sears, Ward's and Penney's—the preferred outlets for ovens, on the other hand, are a distant second as the prime microwave cookware source. They are cited by 17.2% of the households. Sears is the big winner here, specifically named by 13.6%.

Department stores fare better on the accessories scene than they do in microwave ovens, where they were cited by 9.3% of the respondents.

Department stores are the favored microwave cookware outlets of 12.9% of those polled. Catalog showrooms were named by 3.3% of the consumers, while various other retail channels are noted by 8.7% of the consumers as their source for microwave cookware. Not answering are 12.1%

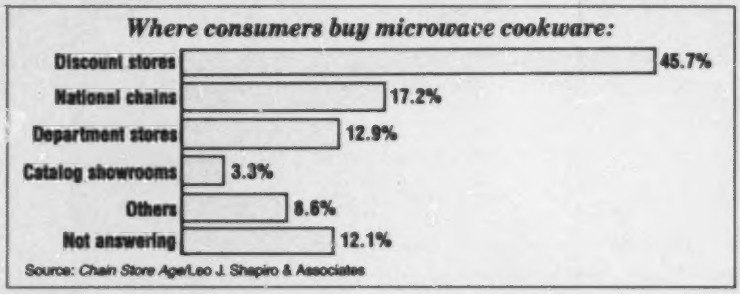
Most consumers (57.8%) in the survey who are planning to buy special cookware for their microwave ovens say they prefer that it be made of glass. Plastic, however, made a good showing, selected by 38.6% of the respondents. Only 1.5% of the consumers canvassed wanted paper accessories.

Indeed, disposable microwave cookware rated low with consumers in the MarkeTrends study. It was vetoed completely by 70.5% of the respondents. Only 5.4% say that it is likely that they will be buying disposable cookware for their microwave ovens, while 22% are numbered among the maybes.

With the strong consumer preference for glass microwave cookware in the study, it is understandable that Corning is the line consumers in the survey most want. Three brands—Corning Ware, Corelle and Visions—in aggregate were cited by 31.6% of the microwave cookware purchasers covered in the study. Another Corning line, Pyrex, was mentioned by 3.5% of the households.

The only other glassware brand to appear in the most wanted microwave cookware list was Anchor Hocking, which impressed 4.1% of the respondents.

On the plastic front, Rubbermaid, Tupperware and Nordic Ware are the stars, although they trail Corning by a wide margin. Rubbermaid is tops with 6.6% of the households canvassed, while Tupperware garnered 4% of the vote and Nordic Ware 1.6%. It should be noted that no plastic line appeared on the 1986 study's list of most wanted microwave cookware lines.



Like its top-of-the-stove counterpart, microwave cookware is primarily an item business. Just over one fourth (29.3%) of the respondents who own a microwave say they prefer to buy the cookware in sets. More than twice this number (66.9%) buy by the individual pieces.

In buying microwave cookware, the study shows the median amount per purchase to be $15. The largest number of respondents, or 16.3%, however, say they would expect to pay between $15 and $24.99 for their microwave cookware. At the same time, 13.7% say they would spend $5 to $9.99; 12.1% between $10 and $14.99; 10.9%, under $5. How many pieces would these purchases include? Though the median number in the survey is three, in most cases (29.9%) the consumer purchases only one item at a time.

respondents this year plan to pay more than $500. The figure was 25.2% last year.

A wide range of consumer brand preferences emerged in the survey. Of the 68.1% who were able to name a brand they would want to buy—a whopping 31.9% could not—the largest number (12.9%) came up with Sharp. Runner-up is GE, cited by 10.2%.

Amana, Sears/Kenmore and Panasonic made it a tight race for third, fourth and fifth spots, with 9.3%, 8.5%, and 8% of the votes, respectively. Rounding out the top seven brands are Litton preferred by 5.7% of the consumers and Tappan by 2.7%.

What are microwave ovens being used for these days? Reheating continues to be the primary function for 57.7% of the consumers canvassed. This figure was down from last year, however, when 59% of the household used their ovens for that purpose. By the same token, the study shows that microwave ovens are currently being used less for cooking. While 36.9% of the consumers cooked in the oven last year, 32.3% did so this year.

Interestingly, more households are using their microwaves for defrosting and boiling. Some 21.1% of the respondents in the current study say they use microwaves to defrost food, compared to 15.8% last year. Last year on the other hand, 3.9% of the respondents boiled water in their ovens, while 8.8% say the do so this year.

In terms of features, 77.4% of the households are aware of the programming capabilities of new microwaves. This enables food to be cooked in the oven when the user is away from home or in another part of the house. Of the consumers who expect to buy an oven within the next 12 months, 20.5% consider this a very important feature; 16.2% somewhat important; and 18.2% not important at all.

The defrosting aspect was more familiar—and more important—to consumers, with 87.8% of them aware of this capability. It was a very important feature to 55.7% of the prospective microwave oven buyers, and somewhat important to 22.3% of them. Only 8.7% did not consider the feature important at all.

The study shows that, unlike their quest for most small appliances, consumers do not head first for the discount store for microwave ovens. Only 11% of those queried expect to buy ovens in discount operations.

National chains—Sears, Ward's and Penney's—and appliance specialty stores are the preferred outlets. The national chains are the source of 28% of the sales (Sears garnering 22.5% of the volume), while appliance stores follow close behind with 24.7% of the votes.

Trailing in the microwave sales sweepstakes are department stores, favored by 9.3% of the respondents; electronics stores, 4.6%; and catalog showrooms, 1.8%. The "others" category was cited by 7% of the consumers; 20% did not answer.

Chain Store Age study has [illegible] up some interesting de[illegible].

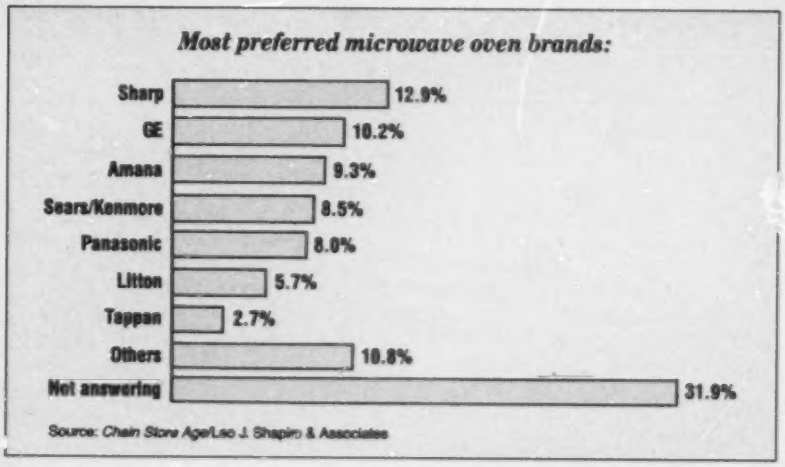
[illegible]s, for instance, that the larg[illegible] percentage (28.5%) of respondents who own microwave ovens fall into the $20,000 to $30,000 wage bracket. That income group also includes the largest number (35.2%) of prospective buyers.

In contrast, 18.8% of those canvassed who own microwave ovens are in the $30,000 to $40,000 income bracket and 12.5% in the $40,000 to $50,000 group. In these two income levels, 9.1% of the former and 9.4% of the latter say that they will very likely buy a microwave oven.

As for age of microwave oven owners, the largest number (14.2%) of the respondents are in the 35-to 39-year old bracket. Close behind are consumers between 25 and 29 years old (13.6%), and between 30 and 40 years old (13.4%).

Buying intentions, however, is highest by far (21.7 %) among consumers between 25 and 29. □

***The median price consumers plan** to pay has fallen to $300 from last year's $400.*



New tax rate boosts third quarter profits

Profits for 24 of the country's biggest retail companies were up 23% in the third quarter, just about equaling their performance for the year-to-date. A significant part of the gain for many, however, was a result of lower effective tax rates this year, and not due to either sales or margin increases.

A year ago, many retail analysts had predicted that tax savings would be passed on to the customer, but a weaker sales environment this year instead is prompting most merchants to bring those dollars down to the bottom line.

Federated Department Stores recorded a gain in net income for the quarter from $34 million last year to $56 million this year. But excluding an extraordinary item related to the early retirement of debt in 1986, the chain actually posted a drop in pretax earnings from $99 million a year ago to $96 million in 1987.

Federated chairman/ceo Howard Goldfeder attributed some of the weakness to a softening in demand for women's ready-to-wear apparel during the period, in addition to some business downturn related to the stock market crash in October.

"Although indications are that overall expansion in the general economy will be maintained in the months ahead," Goldfeder said, "recent market developments may affect consumer psychology in the fourth quarter."

Dayton Hudson's third quarter profits, which totaled $34 million this year compared to $32 million in 1986, benefited from both a reduced provision for taxes and extraordinary charges a year ago.

Earnings from continuing operations before taxes and the charge (related to early debt retirement in 1986) were down in the quarter to $60 million from $109 million the year before.

For the year-to-date, Dayton Hudson's profits are down 17% from year-ago figures. The chain's earnings have been pressured from a variety of sources this year, including a $5 million charge in the most recent quarter to cover costs with spinning off its B. Dalton bookstores and with its defense against a hostile takeover bid from the Dart Group.

At Sears, the nation's largest retailer, a $9 million drop in operating income for the Merchandise Group in the third quarter was attributable in part to a $20 million drop in finance charge revenues.

Most of the lost profits, due to customers using its Discover credit card at its stores instead of the Sears charge, moved to other parts of the Sears, Roebuck ledger.

At K mart, the nation's second biggest retailer, reduced tax rates turned a 9% pretax profit gain from continuing retail operations into a 24% hike in post-tax earnings. For the first 39 weeks of the current fiscal year, earnings are up 25% on an 8% sales gain.

Montgomery Ward profits jumped 62% to $21 million in the quarter. For the first three quarters of the fiscal year Ward earnings are $48 million, up $19 million or 66% from 1986 totals.

Profit performance led Moody's Investor Service to maintain Montgomery Ward P-2/A-2 senior debt ratings despite the December 31, 1987 expiration of parent company Mobil's support agreement. In addition, Ward's board in December declared a $50 million dividend—its first since 1979.

J. C. Penney, meanwhile, reported third quarter earnings up 48%, with nine-month profits ahead 46%. Unlike many other retail companies, Penney reported improvement in gross margins in the period.

Penney officials attributed the fatter margins to the heavier emphasis on family apparel. Earlier Penney announced it will discontinue selling electronics, hard sporting goods and photographic equipment to free up room for expanded women's apparel offerings.

Discounter Wal-Mart reported a 41% earnings hike in the third quarter, with profits ahead 43% for the 39-week period. Sales for both periods were up 36%. □

Third quarter earnings gain 23%

Chain	3rd quarter (000 omitted) 1986	1987	% change	Nine months (000 omitted) 1986	1987	% change
J. C. Penney	$116,000	$171,000	+ 47.6	$ 260,000	$ 328,000	+ 26.3
Sears	170,000	170,400	+ 0.2	378,300	372,500	− 1.5
Montgomery Ward	13,000	21,000	+ 61.5	29,000	48,000	+ 65.5
Subtotal	$299,000	$362,400	+ 21.2	$ 667,300	$ 748,500	+ 12.2
Ames	11,049	7,345	− 33.5	23,101	16,069	− 30.4
K mart	87,300	110,100	+ 26.1	297,300	371,000	+ 24.8
Rose's	6,205	6,112	− 1.5	16,493	16,877	+ 2.3
Sprouse Reitz	465	514	+ 10.5	1,581	1,626	+ 2.8
Wal-Mart	96,531	136,051	+ 40.9	265,786	380,511	+ 43.2
F. W. Woolworth	46,000	54,000	+ 17.4	97,000	120,000	+ 23.7
Zayre	22,876	21,136	− 7.6	45,182	120,380	+165.1
Subtotal	$270,426	$335,258	+ 24.0	$ 746,443	$1,026,463	+ 37.5
Carson Pirie Scott[1]	4,842	5,303	+ 9.5	(5,431)	(3,835)	N.M.
Carter Hawley Hale[1]	1,252	625	− 50.1	N.M.	N.M.	N.M.
Dayton Hudson	32,300	33,600	+ 4.0	107,600	94,700	− 12.0
Federated Dept. Stores	34,480	55,850	+ 83.9	116,348	136,012	+ 16.9
Higbee	1,444	2,720	+ 88.4	3,013	3,939	+ 30.7
May Dept. Stores	74,000	89,000	+ 20.3	168,000	214,000	+ 27.4
Mercantile	27,350	37,967	+ 38.8	63,120	83,043	+ 31.6
Subtotal	$175,668	$225,065	+ 28.1	$ 452,650	$ 527,859	+ 16.6
Pace Membership	345	703	+103.7	(1,517)	591	N.M.
Wholesale Club	(1,296)	(1,170)	N.M.	(2,318)	(2,596)	N.M.
Subtotal	$(951)	$(467)	N.M.	$ (3,835)	$ (2,005)	N.M.
Edison Brothers	7,100	5,100	− 28.2	16,300	(5,700)	N.M.
The Gap	21,279	18,634	− 12.4	39,897	47,925	+ 20.1
Ross Stores	(1,203)	1,394	N.M.	(8,015)	1,950	N.M.
Subtotal	$ 27,176	$ 25,128	− 7.5	$ 48,182	$ 44,175	− 8.3
Child World	1,018	2,184	+114.5	4,437	6,784	+ 51.8
Toys "R" Us	12,755	18,432	+ 44.5	36,157	49,606	+ 37.2
Subtotal	$ 13,773	$ 20,616	+ 49.7	$ 40,594	$ 56,390	+ 38.9
Total	$785,092	$968,000	+ 23.3	$1,951,334	$2,401,382	+ 23.1

[1]Continuing operations only [2]Consolidated operations only [3]Excludes unusual items [4]U.S. merchandising only
( ) Indicates loss N.C. No change N.M. Not meaningful
Source: *Chain Store Age* research

November sales gain a meager 8%

Sales for the 18 retail companies tracked by *Chain Store Age* gained only 8% in November, as retailers tried to fight off customer resistance to higher apparel prices, record-breaking levels of consumer debt and a delayed reaction to the October Black Monday stock market crash.

For the now 10-month-old fiscal year, combined volume for the 18 companies is 10% ahead of 1986 totals.

November's weaker than expected sales could portend lackluster fourth-quarter profit performance for many chains. Though merchants scrambled to cut back as many orders as possible in the days immediately following the stock market collapse in October, the actions may have been too late to avoid a highly promotional holiday selling season.

Early—and unplanned—markdowns were the norm in November. In the face of generally higher import prices and weak sales, the now seemingly inevitable result will be earnings declines for the year's final quarter.

Sears, the nation's largest retailer, reported comparable-store sales for the U. S. Merchandise Group gaining just under 1% in November.

Michael Bozic, Sears Merchandise Group chairman/ceo, nonetheless tried to find a silver lining in the month's otherwise cloudy results.

"Sales strengthened during Thanksgiving week," Bozic said, "ending the month on a positive note. We continue to be optimistic for the balance of the year."

J. C. Penney same-store results were up 3.8% in November, compared to the 4.8% pace set in the first 10 months. Penney chairman William R. Howell said that sales for the period were in line with plan and that promotional activities were normal for what he described as the "competitive holiday season."

Montgomery Ward, meanwhile, bucked the month's trend entirely. Volume in November was up nearly 8%, with same-store sales gaining a respectable 5%.

"We are encouraged by the strength we have seen this month in view of the recent problems in the financial markets," said Ward president/ceo Bernard F. Brennan.

Holiday sales pace slows

Major chains	% change	November sales* 1987	November sales* 1986	Stores 1987	Stores 1986	10-mo. sales* 1987	10-mo. sales* 1986	% change
Sears[1,2]	N.C.	$ 2,364,500	$ 2,363,700	813	806	$ 21,361,000	$20,844,200	+ 2.5
Penney[2]	+ 4.3	1,416,000	1,357,000	1,837	1,879	10,740,000	10,220,000	+ 5.1
Ward	+ 7.5	451,090	419,500	306	294	3,593,000	3,357,100	+ 7.0
May Dept. Stores	+ 5.5	985,800	934,400	2,920	2,744	7,990,300	7,369,400	+ 8.4
Dayton Hudson	+15.3	1,040,000	899,000	577	418	7,880,000	6,880,000	+ 14.4
Federated[3]	+ 0.9	817,600	810,600	532	502	6,838,900	6,529,500	+ 4.7
Carter Hawley Hale	+ 0.7	246,900	245,200	112	112	2,021,900	1,944,200	+ 4.0
Mercantile	+ 4.6	217,800	208,300	79	82	1,664,300	1,567,900	+ 6.1
Carson Pirie Scott[4]	+ 33.5	100,000	74,901	N/A	N/A	703,200	599,483	+ 17.3
K mart[1,5]	+ 6.4	2,043,300	1,920,000	2,221	2,204	19,153,300	17,827,500	+ 7.4
Wal-Mart	+25.5	1,598,000	1,273,000	1,113	1,026	12,557,000	9,336,000	+ 34.5
Zayre	+15.3	618,900	536,900	1,161	1,097	4,919,500	4,175,100	+ 17.8
Woolworth[2]	+ 4.3	333,000	319,000	N/A	N/A	3,245,000	3,019,000	+ 7.5
Ames	+17.5	212,500	180,900	482	458	1,667,300	1,473,900	+ 13.1
Bradlees	+ 6.0	213,000	201,000	171	162	1,567,000	1,429,000	+ 10.0
Tandy[2]	+ 6.1	316,127	297,911	N/A	N/A	2,436,245	2,200,947	+ 10.7
Circuit City	+31.1	149,600	114,100	101	88	958,700	705,000	+ 36.0
Best Buy	+98.3	47,600	24,000	40	23	298,800	143,454	+108.3
Totals & Averages	+ 8.2	$13,171,627	$12,179,412	—	—	$109,595,445	$99,621,684	+ 10.0

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Excludes supermarket sales. [4]Retail division only. [5]Continuing operations only. [6]Store number for K mart stores only.

In particular, Brennan cited appliances, electronics, home furnishings and accessories as the month's sales leaders. Southern California and the Pacific Northwest, said Brennan, reported the biggest increases.

Wal-Mart's 26% sales gain in November, however, was offset by a 4% increase in same-store results. For the first 10 months of the fiscal year, the Bentonville, Ark.-based discounter recorded volume ahead 35%, with comparable-store totals up 11%.

The unexpected weakness in Wal-Mart's November sales sparked Wall Street's first-ever loss of confidence in the chain in early December.

Traders had bid Wal-Mart up on the theory that the discounter benefited from economic hard times. Now that the bromide looked untrue, traders began to bid down Wal-Mart's shares.

It was a tumble in Dayton Hudson's stock, meanwhile, that had saved its management from what probably would have been a protracted fight with the Dart Group for control of the company. The plunge in the company's stock price allowed it to buy back enough shares to help discourage any further takeover efforts.

Same-store results were down 5% in November at Dayton Hudson's Target discount store division. The department store division recorded volume dipping 11%. Mervyn's, meanwhile, posted a 6% comparable-store gain. Same-store results at Lechmere gained 7%. □

ADVERTISER'S INDEX

Aromatic Industries 43
Daisy Marketing 6
Fox Marketing 55
Hasbro-Bradley 2, 12, 56
Master Lock Co. 4
Maxon Systems, Inc. 25
Minolta Corporation 8
Murata Business Systems 10
NDQ Marketing 36
Photo Marketing Association 45
Thalheim Exposition Mgmt 9, 11
Toshiba America Inc 32
Transworld Exhibits 31

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